



# International Agricultural Trade Report

*Weekly Market Report: Dairy, Livestock, & Poultry*

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## Mexico's Antidumping Duties on U.S. Beef and Beef Offals

### Introduction

The current crisis in the beef and cattle sector in Mexico, characterized by debt and credit problems, drought, high imported feed costs, and inefficient management practices, has resulted in insufficient supplies of beef. Mexican imports of U.S. beef have expanded rapidly to meet the growing demand for a reliable supply of high quality product. In their frustration, Mexican cattlemen and some beef producers petitioned their government in July 1998 to investigate U.S. imports for alleged dumping.

In the course of the investigation, the U.S. industry has argued that if Mexican cattle producers are suffering, it is not due to U.S. imports but rather results from a number of economic and climatic conditions. Nonetheless, on August 2, 1999, the Mexican Commerce Secretariat (SECOFI) announced it would impose preliminary antidumping duties on imports of U.S. beef and beef offals.

The duties were assessed by six product groupings, by U.S. exporting company. The highest of the preliminary duties were directed at U.S. exports of edible beef offals and frozen beef tongue. Edible beef offal exports were 31,000 tons valued at \$34 million in 1998. Boneless beef cuts, whose duty is as high as 75 percent for some companies, are the most important of these categories: U.S. exports were 115,000 tons valued at \$330 million in 1998.

### Mexican Antidumping Duties on U.S. Beef and Beef Offals

Product	U.S. Exports		Antidumping Duty (by company)				
	CY 1998		PACKER COMPANIES AND EXPORTERS				
	Volume (MT)	Value (US\$)	ConAgra	Excel	IBP	Farmland	Other Companies
<b>Beef carcasses</b>	8,777	18,759,406	0	0	0	5.24%	5.24%
<b>Bone-in beef cuts</b>	17,659	46,228,421	0	0	0	7.60%	12.76%
<b>Boneless beef cuts</b>	114,676	329,662,017	7.66%	0	4.14%	0	74.98%
<b>TOTAL BEEF 1/</b>	<b>141,112</b>	<b>394,649,844</b>					
<b>Frozen beef tongue</b>	875	1,229,291	16.91%	23.17%	5.29%	8.45%	198.07%
<b>Frozen beef liver</b>	7,480	7,807,267	3.02%	0	0	11.02%	106.24%
<b>Edible beef offals</b>	31,256	33,684,751	11.42%	17.10%	36.22%	2.67%	214.52%
<b>TOTAL BEEF OFFALS 2/</b>	<b>39,611</b>	<b>42,721,309</b>					

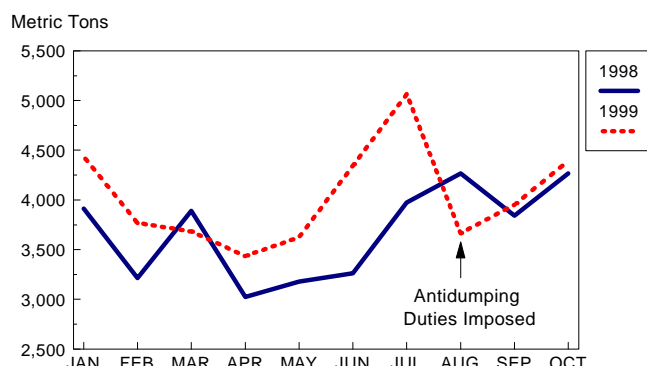
1/ Total beef is a sum of the categories fresh, chilled and frozen carcass, bone-in, and boneless beef. Excluded from this total is prepared and preserved beef; these exports to Mexico totaled 1,104 tons in 1998.

2/ Total beef offals is a sum of the categories frozen beef tongue, frozen beef liver, and edible beef offals. Missing from this total category is a category of fresh or chilled edible beef offals; these exports to Mexico totaled 5,436 tons in 1998.

USDA/FAS and the U.S. Meat Export Federation have been working with Mexican officials to resolve the issues surrounding this case. SECOFI, is currently reviewing information provided by exporters in their September questionnaire submissions. A hearing has been scheduled by SECOFI for January 6-7 in Mexico City in which parties which have already submitted information will be able to provide additional information and testimony to the case. This will be

the last opportunity for the U.S. beef industry to share their comments with the GOM in the antidumping investigation. A final ruling in the antidumping case is expected by spring 2000.

### Beef Variety Meat Exports to Mexico Take a Dip



### Initial Trade Impact

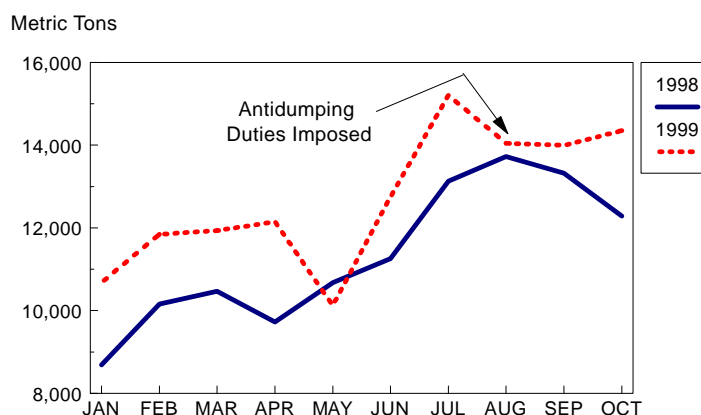
In 1997, Mexico became the United States' second leading market for beef exports behind Japan on a volume basis. In 1998, U.S. beef and beef offal exports to Mexico continued to grow sharply, reflecting healthy economic growth and

continuing consumer confidence.

Not surprisingly, the high preliminary antidumping duties on beef offals resulted in a marked decrease in these exports. Beef offal exports dropped sharply in August as traders realized how costly the duties were to their products and many traders were reportedly confused over the policy. Beef variety meat exports had been 16 percent ahead of last year prior to the duties, but were just 10 percent ahead from January through October (totaling 40,000 tons) compared with a year earlier. A slight recovery may be underway as traders learn to adapt to the new environment.

Between August and October, beef exports to Mexico remained slightly above year earlier levels, but the rate of growth declined from the brisk pace earlier in the year. Beef exports from January through October totaled 127,000

### Beef Export Growth to Mexico Slows Following AD Duties



tons, 12 percent higher than a year earlier. Mexico is a market of great importance to the United States, and strength in that market softened the blow of weakened exports to Asia during its financial crisis.

### **Higher Duties on Product from Small Exporters**

Relatively low duties were assessed on imports from the four exporting companies (ConAgra, Inc; Excel Corporation; IBP, Inc.; Farmland National Packing Company, LP) compared with those for all other exporting companies. The lower duties on the four major companies likely reflect the information provided in the questionnaires submitted by these companies to SECOFI; many smaller processors and traders did not present such documentation. Imports from the other exporting companies are assessed duties for every product category, ranging from 5.24% (beef carcasses) to 214.52% (edible beef offals).

For the first time that anyone is aware of in this type of case, Mexican importers were named and exempted from paying import duties. Specifically, Gigante, Aurrera, Sultana, and Plaza Coloso—all major Mexican retailers—were exempted from duties imposed on beef tongues, livers, and beef offals. The exemption is largely seen as a political gesture, as it provides no significant exemption from the mainstay of these companies' import purchases of beef muscle cuts. Importers not named as exempt from these duties have complained to SECOFI about the selective duty structure. Retailers are estimated to represent less than 50 percent of beef distribution in Mexico.

Smaller processors and broker-exporters that must pay the higher duties on all product categories will be unable to absorb the higher costs. The four named exporting companies account for about 80 percent or more of total U.S. exports to Mexico, yet a large proportion of this product is exported through intermediate brokers. Industry contacts report that practices of fraud involving forged health certificates are commonplace among Mexican importers.

SECOFI stated in a letter dated September 23 that any Mexican importer that can fully demonstrate that beef or beef offal imports that originated with one of the four named exporting companies, assessed a lower duty rate, will incur the lower duty rate. Thus, a sanitary export certificate issued by USDA's Food Safety Inspection Service which documents the origin of the product as being from one of the "big four" could be used for purposes of receiving a lower duty. FAS and USMEF continue to work to ensure that SECOFI's policy will be implemented by custom officials at all border inspection points.

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